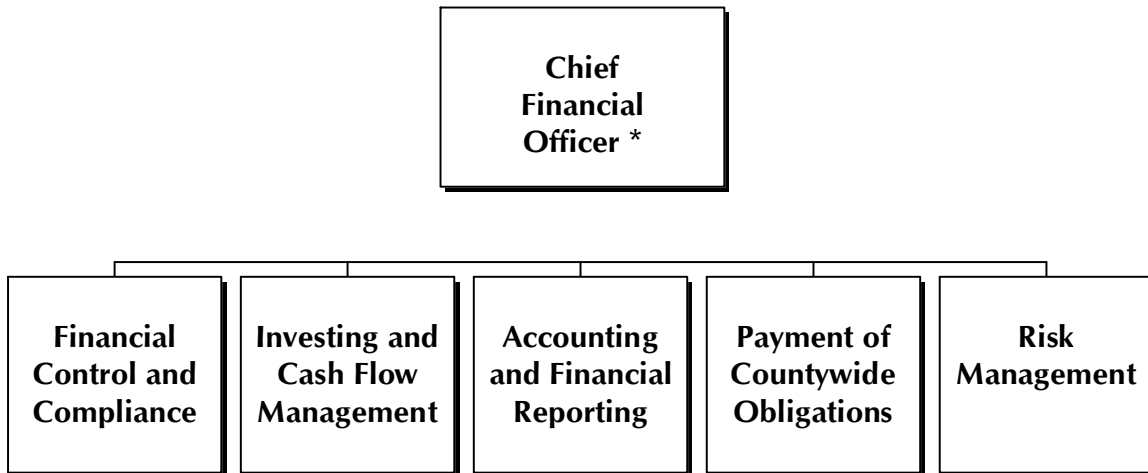


Fund 501

County Insurance Fund



* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

Mission

To ensure the health and safety of County citizens, employees and public officials, and to protect the County's financial assets. The agency is committed to providing the highest quality of customer service in managing the County's risks and exposures.

Focus

Fairfax County has a statutory responsibility to provide Workers' Compensation benefits, including medical treatment and loss of wages due to related disability, to employees who sustain occupational injuries and illnesses. The County Insurance Fund was established to fulfill this obligation. The Fund also provides countywide commercial insurance and self-insurance. The County self-insures automobile and general liability claims. Special commercial coverage is provided for activation insurance on County helicopters, real property coverage, and Fire and Rescue Department vehicle damage insurance. Administrative expenses of risk management programs are paid through this Fund.

Fairfax County provides a wide range of services to its employees and citizens, which in turn create potential risks and exposures to the County. Some of these risks include injuries involving County employees or damage to County property, injuries to citizens or damage to citizen property, automobile accidents, incidents arising from police activity, the actions of public officials, and the operation and maintenance of sewage and storm management systems.

The Risk Management division approaches its mission from both internal and external perspectives. Recognizing that an organization the size of the County will experience losses, Risk Management staff work to mitigate losses and manage financial liabilities through a combination of self-insurance (which generally applies to losses expected to occur regularly, such as workers' compensation, automobile and general liability, and police professional and public officials liability) and commercial insurance (for losses which occur infrequently but tend to be large exposures, such as real property losses, aircraft liability and damage to high-value vehicles). Recognizing the importance of prompt and fair resolution of claims against the County, claims

THINKING STRATEGICALLY



Strategic challenges for the Department include:

- o Raising awareness of potential risk scenarios;
- o Exploring options for efficiencies in managing financial liabilities; and
- o Continuing to cultivate strong relationships with agencies.

Fund 501 County Insurance Fund

administration utilizes both in-house staff and a contract claims administrator. Finally, Risk Management staff focuses on building and utilizing partnerships with other County agencies, the community, and neighboring jurisdictions to mitigate risks and to ensure excellent communication with the citizens of Fairfax County.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Maintaining Safe and Caring Communities	Recent Success	FY 2005 Initiative	Cost Center
Develop outreach programs to educate citizens on County risk management initiatives.	✓	✓	Agencywide
Create a risk management critical incident response team for catastrophic, security and significant incidents, trained in all areas and working closely with local, state and federal contacts.		✓	Agencywide
 Corporate Stewardship	Recent Success	FY 2005 Initiative	Cost Center
Develop telephonic and on-line reporting processes for all claims reducing the timeframe required to settle claims.	✓	✓	Agencywide
Develop a countywide driver education program designed to reduce the number of accidents involving County employees.		✓	Agencywide
Develop the use of real-time computer conferencing to supplement conference calls for interagency teams.		✓	Agencywide
Provide on-line risk management education, training and graphical presentation programs via web to customers.		✓	Agencywide
Make all risk management policies and procedures available to County users on-line.		✓	Agencywide
Develop enhanced self-assessments in such areas as office safety, ergonomics, and security.	✓	✓	Agencywide

Fund 501

County Insurance Fund

Budget and Staff Resources



Agency Summary				
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	13/ 13	13/ 13	13/ 13	13/ 13
Expenditures:				
Personnel Services	\$806,138	\$980,618	\$980,618	\$1,017,406
Operating Expenses	12,078,906	9,904,948	11,324,609	10,875,299
Capital Equipment	0	0	0	0
Subtotal	\$12,885,044	\$10,885,566	\$12,305,227	\$11,892,705
Less:				
Recovered Costs	(\$368,627)	(\$360,986)	(\$360,986)	(\$400,586)
Total Expenditures	\$12,516,417	\$10,524,580	\$11,944,241	\$11,492,119

Position Summary			
1 Risk Manager	1 Claims Manager	1 Safety Manager	
1 Administrative Assistant IV	1 Claims and Rehabilitation Supervisor	1 Safety Analyst	
1 Insurance Manager	1 Rehabilitation Specialist	1 Risk Analyst	
	2 Claims Specialists	1 Management Analyst II	
	1 Administrative Assistant III		
TOTAL POSITIONS			
13 Positions / 13.0 Staff Years			

FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

- ◆ **Employee Compensation** **\$36,788**
A net increase of \$36,788 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.
- ◆ **General Insurance Costs** **(\$488,910)**
A net decrease of \$449,310 in Operating Expenses is primarily attributable to a decrease of costs associated with self-insured risks. A net increase of \$39,600 in Recovered Costs is primarily due to an increase in recovered workers' compensation costs, from \$140,400 in FY 2004 to \$180,000 in FY 2005.

Changes to FY 2004 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- ◆ **Carryover Adjustments** **\$1,419,661**
A net increase of \$1,419,661 including \$219,661 to support high cost Worker's Compensation claims which remain unsettled, and \$1,200,000 in additional requirements for self insurance losses based on several high-value automobile and general liability claims which were settled during FY 2003.

Fund 501

County Insurance Fund

Key Performance Measures

Goal

To identify and limit potential financial losses to the County arising in the normal course of business or as a result of accidents, acts of nature, and any action for which the County can be held liable; to provide prompt and efficient resolution of claims resulting from such losses; and to manage financial resources and commercial insurance options so as to limit the impact of losses on current operations.

Objectives

- ◆ To reduce the overall percentage of automobile accidents from 160 to 155 per 100,000 miles driven through an aggressive program of driver education.
- ◆ To reduce the percentage of premium paid to the value of assets covered from 0.172 percent to 0.170 percent in order to maximize the value of County assets insured in relation to the total premium dollars expended.
- ◆ To process 98 percent of all claims within 30 business days from date of incident.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Output:					
Claims requiring investigation	2,288	2,283	2,100 / 2,960	2,200	2,300
Total insurance premiums paid	\$1,175,823	\$2,424,946	NA / \$2,179,118	\$2,708,194	\$2,759,061
County drivers receiving training	NA	NA	NA / NA	NA	300
Efficiency:					
Cost per claim processed	\$117	\$114	\$123 / \$104	\$131	\$131
Cost per insurance policy	\$850	\$880	NA / \$654	\$773	\$773
Cost per driver trained	NA	NA	NA / NA	NA	\$122
Service Quality:					
Average claims processing time (days)	17	14	15 / 8	8	7
Value of County assets covered (in billions)	\$0.537	\$0.539	NA / \$1.253	\$1.572	\$1.619
Preventable accidents	347	332	NA / 298	325	300
Outcome:					
Percentage of claims processed within 30 days	92%	93%	90% / 95%	94%	98%
Percentage of premium paid to value of assets covered	0.219%	0.450%	NA / 0.174%	0.172%	0.170%
Preventable accidents per 100,000 miles driven	163	157	NA / 160	160	155

Fund 501

County Insurance Fund

Performance Measurement Results

The Risk Management division created a new objective for FY 2005 to reduce the overall rate of automobile accidents through an aggressive driver education program. The program will be evaluated on the basis of measurable success in terms of the number of preventable accidents per 100,000 miles driven.

In FY 2003, the ratio of premiums paid to assets covered declined significantly from previous levels. The insurance industry has been affected by multiple market forces over the last few years. During FY 2001 and FY 2002, underwriters were unwilling to provide all the coverage the County sought, and premiums soared in light of the losses (and future risks) associated with the terrorist incidents of September 11, 2001. To provide basic coverage, multiple policies were negotiated. In FY 2003, coverage of County properties was negotiated at favorable premium rates. Requirements were also reexamined, assuring that only essential policies were maintained, and some coverage was transferred from the commercial market to state-sponsored programs. Beginning in FY 2004, the insurance program was expanded to the coverage requirements of the Housing Authority and the Park Authority's Historical Objects Division, thereby reducing overall costs to the taxpayer. This cost-saving technique will next be applied to the Department of Transportation's Connector fleet.

The division has also demonstrated success in increasing the percentage of claims processed within 30 days. In FY 2002, a program for telephonic reporting of workers' compensation claims was initiated. By the end of that year, 20 percent of such claims were reported by telephone. In FY 2003, 80 percent of claims were reported by telephone and reporting options were expanded to include on-line reports. As a result of this effort, 95 percent of claims were processed within 30 days even though the enhanced program was in place less than a full year. As reporting time decreases, employee medical care and return-to-work time improves, and the cost of claims decreases. It is anticipated that 98 percent of claims will be processed within 30 days in FY 2005.

Fund 501

County Insurance Fund

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 501, County Insurance Fund

	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan
Beginning Balance	\$25,050,709	\$24,860,648	\$26,280,309	\$24,490,957
Revenue:				
Interest	\$276,627	\$577,688	\$577,688	\$555,039
Workers' Compensation	8,209,153	7,045,755	7,045,755	7,739,064
Other Insurance	3,412,538	2,531,446	2,531,446	2,976,030
Total Revenue	\$11,898,318	\$10,154,889	\$10,154,889	\$11,270,133
Total Available	\$36,949,027	\$35,015,537	\$36,435,198	\$35,761,090
Expenditures:				
Administration	\$945,974	\$1,106,063	\$1,106,064	\$1,147,256
Workers' Compensation	5,460,027	5,193,514	5,413,174	5,822,801
Self Insurance Losses ¹	2,083,599	1,448,809	2,716,809	1,763,001
Commercial Insurance Premium	2,179,118	2,776,194	2,708,194	2,759,061
Total Expenditures	\$10,668,718	\$10,524,580	\$11,944,241	\$11,492,119
Expense for Net Change in Accrued Liability ²	\$1,847,699	\$0	\$0	\$0
Total Disbursements	\$12,516,417	\$10,524,580	\$11,944,241	\$11,492,119
Ending Balance²	\$26,280,309	\$24,490,957	\$24,490,957	\$24,268,971
Restricted Reserves:				
Accrued Liability ²	\$21,604,237	\$19,396,847	\$21,244,546	\$21,244,546
PC Replacement Reserve	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	4,668,872	5,086,910	3,239,211	3,017,225

¹ During FY 2004, the County Insurance Fund will resolve several large self-insured claims. The fund does not anticipate a similar number of losses being resolved in FY 2005. For this reason, there is a significant reduction in the amounts of funds being budgeted for those line items.

² FY 2003 actuals have been updated to reflect all FY 2003 audit adjustments. These changes include an expenditure increase of \$1,847,699 due to the net change in accrued liabilities (value of outstanding claims) based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the total Accrued Liability Ending Balance and Unreserved Balance but does not effect the cash balance or the Ending Balance which is calculated using Total Available less Total Expenditures, not Disbursements.